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## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

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<b>2003 Assembly Bill 917</b>	<b>Assembly Substitute Amendment 1</b>
<i>Memo published:</i> March 10, 2004 <i>Contact:</i> Joyce L. Kiel, Senior Staff Attorney (266-3137)	

### Current Law

Current law permits certain exemptions from creditor claims, including any unmaturing life insurance contract owned by the debtor that insures the debtor, his or her dependent, or a person on whom the debtor is dependent, other than a credit life insurance contract. Also, if the debtor has any accrued dividends, interest, or loan value (aggregate interest) in such life insurance, this aggregate interest is exempted up to a maximum of \$4,000. Current law also exempts from creditor claims certain annuities under s. 815.18 (3) (j), Stats., relating to exemptions for retirement benefits.

### 2003 Assembly Bill 917

2003 Assembly Bill 917 does the following:

1. Removes the \$4,000 exemption limit on aggregate interest on such life insurance.
2. Provides an exemption for the entire value of such a *life insurance* contract and the aggregate interest, but *only if* the contract was issued at least 24 months before the creditor's claim against the debtor.
3. Provides that if such a *life insurance* contract was issued less than 24 months before the creditor's claim, the exemption may not exceed \$4,000.
4. Provides an exemption for the entire value of an *annuity* contract owned by the debtor and insuring the debtor, his or her dependent, or a person on whom the debtor is dependent and the aggregate interest, *but only if* the contract was issued at least 24 months before the creditor's claim.

5. Provides that if such an annuity contract was issued less than 24 months before the creditor's claim, the exemption may not exceed \$4,000.
6. Applies these provisions to life insurance or annuity contracts issued on or after the effective date of the act.

**Assembly Substitute Amendment 1 to Assembly Bill 917**

Assembly Substitute Amendment 1 to the bill does the following:

1. Removes the \$4,000 exemption limit on aggregate interest on such life insurance.
2. Provides an exemption for the entire value of such a *life insurance* contract and the aggregate interest, but **only if** the contract was issued at least 24 months before the earlier of the following (referred to as the "*applicable date*"):
  - a. The date on which the exemption is claimed.
  - b. The date, if any, that the cause of action was filed that resulted in the judgment with respect to which the execution order was issued.
3. Provides that if such a *life insurance* contract was **issued** less than 24 months before the applicable date, the exemption may not exceed \$4,000.
4. Provides that if such a *life insurance* contract was issued at least 24 months before the applicable date but was **funded** less than 24 months before the applicable date, the exemption is limited to the value of the contract the day before the first funding that occurred less than 24 months before the applicable date **plus** the lesser of:
  - a. The difference between the value of the contract on the applicable date and the value the day before the first funding that occurred less than 24 months before the applicable date; or
  - b. \$4,000.
5. Specifies that the provisions of the bill with respect to **annuities** do not apply with respect to annuities already exempted under s. 815.18 (3) (j), Stats., relating to exemptions for retirement benefits. Subject to this exception, the substitute amendment then provides an exemption for the entire value of an **annuity contract** owned by the debtor and insuring the debtor, his or her dependent, or a person on whom the debtor is dependent and the aggregate interest on the contract, but **only if** the contract was issued at least 24 months before the applicable date.
6. Provides that if such an **annuity** contract was **issued** less than 24 months before the applicable date, the exemption may not exceed \$4,000.
7. Provides that if such an **annuity** contract was issued at least 24 months before the applicable date but was **funded** less than 24 months before the applicable date, the exemption is limited

to the value of the contract the day before the first funding that occurred less than 24 months before the applicable date *plus* the lesser of:

- a. The difference between the value of the contract on the applicable date and the value the day before the first funding that occurred less than 24 months before the applicable date; or
- b. \$4,000.

- 8. Applies these provisions to exemptions claimed on or after the effective date of the act.

### **Legislative History**

The Assembly Committee on Insurance introduced Assembly Substitute Amendment 1 to the bill and recommended its adoption on a vote of Ayes, 14; Noes, 0. The committee then recommended passage of the bill, as amended, on a vote of Ayes, 14; Noes, 0.

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